January 13, 2009

The Honorable Nancy Pelosi Office of the Speaker Washington, DC 20515 The Honorable Dianne Feinstein United States Senate Washington, DC 20515

The Honorable Barbara Boxer United States Senate Washington, DC 20510

Dear Speaker Pelosi, Senator Feinstein, and Senator Boxer:

I am writing to encourage the prompt adoption of the American Recovery and Reinvestment Act now being developed by Congress and the incoming Obama Administration. During this challenging time, the states—especially California—need the federal government's help.

As you are keenly aware, the fiscal challenges for California are great. California is facing a projected budget deficit of approximately \$40 billion at the end of our next fiscal year. With rising unemployment, a mortgage foreclosure crisis of growing magnitude, and increasing demands on our state and local governments, we urge consideration of federal contributions as outlined below:

- ▶ **Medicaid.** Increase the Federal Medicaid Assistance Percentage (FMAP) match, targeting states with criteria such as high levels of unemployment and home foreclosures. An increase of \$20 billion would mean over \$2 billion in assistance for California.
- ▶ **Discretionary Block Grants to States.** Provide states with discretionary grants to address their fiscal situation during the economic downturn. In the midst of the fiscal crisis, states are forced to cut essential services and/or raise taxes. States play a critical role in the national economy and have worked with the federal government in carrying out state-federal partnerships.

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- ► **Transportation.** Provide federal funds for transportation projects. Investment should focus on four programmatic areas: (1) transit, (2) goods movement, (3) maintenance and rehabilitation of the existing transportation system, and (4) high-speed rail. Investments should stimulate short-term job creation and long-term economic activity, contribute to an environmentally sustainable transportation system, and support the development and deployment of new technology to address the interrelated problems of transportation, air quality, and climate change. California has 285 ready-to-go infrastructure projects totaling \$11 billion that would generate approximately 198,000 jobs.
- ▶ **Unemployment Benefits.** Extend Unemployment Insurance (UI) benefits. It is estimated that for every \$1 spent on expanded unemployment benefits, \$1.64 is returned to the economy. In November, California's jobless rate hit a 12-year high of 8.4 percent and it is projected to rise. Of the 1,562,000 unemployed in California, less than 40 percent are receiving benefits. In October, 80,000 workers had already exhausted last year's federal extension of UI benefits.
- ▶ **Energy.** Fund renewable energy and energy efficiency projects. A 2008 University of California study found energy efficiency measures have enabled California households to redirect their expenditures toward other goods and services, creating about 1.5 million jobs with a total payroll of \$45 billion, and driven household energy savings of \$56 billion from 1972 to 2006.

As you well know, our state is in dire financial straits. There are additional issues that could use an infusion of federal funding. Attached is a comprehensive outline of those needs. Please do not hesitate to contact me if you have questions or seek additional input. I look forward to sitting down and discussing these issues with you in greater detail soon.

Thank you in advance for your consideration of these comments.

Sincerely,

DARRELL STEINBERG

Attachment

Economic Stimulus Potential Federal Assistance to California

- ▶ **Medicaid.** Increase the Federal Medicaid Assistance Percentage (FMAP) match, targeting states with criteria such as high levels of unemployment and home foreclosures.
- **Food Stamps.** Provide a temporary increase in food stamp benefits to assist California families with rising food costs.
- ► Education Infrastructure. (1) Increase funding for school construction, repair, and modernization. California has approximately \$1.2 billion in projects that are shovel-ready. (2) Increase funding for schools' deferred maintenance. California has approximately \$780 million in emergency repair projects waiting to be funded. In addition, in a typical year, California schools spend at least \$280 million to address deferred maintenance of school facilities (leaking roofs, much-needed repairs), but this necessary expense is likely to be cut, given the overall shortage of funds for education.
- Workforce Training. (1) Increase funding to ensure that community colleges can retrain unemployed people to quickly re-enter the labor market. It would cost approximately \$500 million for California to allow the 80,000 people that had exhausted their unemployment benefits as of last October and the 40,000 people laid off from non-farm payroll jobs in the month of November to enroll in a full-year job training course at a community college. (2) Provide funding for training for the emerging green economy. California needs funding for career technical education programs at the high school and community college level that foster the skills and knowledge necessary for successful employment in the emerging green economy.
- ▶ **Unemployment Benefits.** Extend Unemployment Insurance (UI) benefits. It is estimated that for every \$1 spent on expanded unemployment benefits, \$1.64 is returned to the economy. In November, California's jobless rate hit a 12-year high of 8.4 percent and it is projected to rise. Of the 1,562,000 unemployed in California, less than 40 percent are receiving benefits. In October, 80,000 workers had already exhausted last year's federal extension of UI benefits.
- ▶ **Deferred State Park Maintenance.** Provide \$350 million for shovel-ready projects for deferred maintenance in state parks, which would create 2,600 jobs.
- **Wildland Fires.** Fund fuel reduction projects in state forests by California Conservation Corp members.

- ▶ **Salmon and Wetlands Restoration.** Fund wetlands restoration through the National Estuary Program for the San Francisco and San Pablo bays and salmon restoration through the removal of four dams on the Klamath River.
- ► **Energy.** Fund renewable energy and energy efficiency projects. A 2008 University of California study found energy efficiency measures have enabled California households to redirect their expenditures toward other goods and services, creating about 1.5 million jobs with a total payroll of \$45 billion, and driven household energy savings of \$56 billion from 1972 to 2006.
- Provide federal loan guarantees for energy projects that reduce greenhouse gas emissions. The state would need to create a cooperative similar to that used in the early 20th century for grain farmers, sugar producers (C&H Sugar), and cranberry producers (Ocean Spray cooperative). The Energy Cooperative would facilitate partnerships between manufacturers of energy infrastructure that reduces greenhouse gas emissions (e.g., solar equipment), and home owners, or smaller industries in arranging financing to grow this industry in California.
- Federal Loan Guarantees to Support Financing a Green Technology Education and Retraining Program. Provide federal loan guarantees to support education and retraining programs at community colleges.
- ► **Transportation.** Provide federal funds for transportation projects. Investment should focus on four programmatic areas: (1) transit, (2) goods movement, (3) maintenance and rehabilitation of the existing transportation system, and (4) high-speed rail. Investments should stimulate short-term job creation and long-term economic activity, contribute to an environmentally sustainable transportation system, and support the development and deployment of new technology to address the interrelated problems of transportation, air quality, and climate change.
- ► **Housing.** Provide federal housing tax credits for low-income housing. California needs federal funding to help address its backlog. Provide federal funds to build affordable housing.
- ▶ **Discretionary Block Grants to States.** Provide states with discretionary grants to address their fiscal situation during the economic downturn. In the midst of the fiscal crisis, states are forced to cut essential services and/or raise taxes. States play a critical role in the national economy and have worked with the federal government in carrying out state-federal partnerships.